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# CALIFORNIA DAIRY REVIEW

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## HEARING DECISIONS ANNOUNCED

On March 28, 2001, the Department conducted a public hearing to consider adding a value for dry whey to the Class 4b formula, which prices milk used to make cheese other than cottage cheese. On March 30, 2001, the Department conducted a public hearing to consider changes to the way in which organic Class 1 milk is accounted for in the Pool.

**March 28 Hearing** — After giving careful consideration to the evidence and testimony entered into the hearing record, the Department did not make any amendments to the current Class 4b pricing formula. The Department's determination is based partly upon the following factors:

- ◆ The current minimum Class 4b pricing formula is adequate to generate sufficient milk supplies to meet market demand.
- ◆ In order for California cheese to be competitive in the nation's largest cheese markets (Eastern U.S.), California cheese must be priced somewhat lower than cheese produced in states that are in closer proximity to the markets.
- ◆ The net effect of adding a value for dry whey to the Class 4b pricing formula, per the proposal, would result in a significant reduction in the competitiveness of California cheese in national and regional markets.
- ◆ Since the Class 4b price is the market clearing price for about 40% of California's pooled milk utilization, losing even a fraction of market share will adversely impact the production and marketing of California bulk milk.

See **DECISION** on Page 5

## April Milk Production

Milk production in California for April 2001 totaled 2.78 billion pounds, up 2.0 percent from April 2000. USDA's estimate for U.S. milk production April 2001 in the 20 major dairy states is 12.2 billion pounds, down 1.9 percent from April 2000. Production per cow in the 20 major states averaged 1,572 pounds for April, which is 21 pounds below April 2000. ☀

## May Quota Transfer Summary

For May 2001, 5 dairy producers transferred 11,286.90 pounds of solids-not-fat (SNF) quota. The quota sales averaged \$422 per pound of SNF (without cows), with an average ratio of 2.45. These transfers were effective June 1, 2001. This compares to 4 quota transfers averaging \$402 per pound of SNF (without cows), with an average ratio of 2.36 for May 2000. ☀

## Minimum Class Prices

Statewide average hundredweight prices

Class	April 2001	May 2001	June 2001
1	\$15.22	\$15.97	\$16.72
2	\$13.62	\$13.62	\$15.23
3	\$13.57	\$13.57	\$15.18
4a	\$14.32	\$14.77	—
4b	\$12.12	\$14.16	—

## Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	May 2001	June 2001
Phoenix, Arizona	\$16.56	\$17.34
Southern California	\$16.19	\$16.94
Portland, Oregon	\$16.11	\$16.89
Northern California	\$15.92	\$16.66

## California Alfalfa Hay May Summary

**Northern California:** Early May showed Premium and Supreme alfalfa experiencing heavy trading with prices firm to \$5.00 higher. Market prices seem uncertain as buyers and sellers continue to establish true market value. Retail and Stable accounts continue to look for quality alfalfa and oat or forage mix hay. The end of the month showed exporters beginning to buy hay for their contracts.

**Southern California:** Supreme alfalfa trading has been steady with Premium alfalfa trading weak to \$5.00 lower. Retail and Stable hay lightly tested with prices firm. Exporters showing interest in hays: mostly Bermuda, alfalfa, and Cline grass hay. Supplies of Firm and Good alfalfa has been increasing as the weather continues to get hotter. ☀

*Shown below are alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA.*

## Alfalfa Hay Sales and Delivery April & May, 2001

	April 2001	May 2001
Tons Sold <sup>1</sup>	164,428	251,344
Tons Delivered <sup>2</sup>	88,163	127,502

<sup>1</sup> For current or future delivery.

<sup>2</sup> Contracted or current sales.

## California Supreme Hay Prices

Statewide average hundredweight prices

May 2001 Prices

Area	5/4	5/11	5/18	5/25
Petaluma	\$155-165	\$150-163	\$155-158	\$155-160
North Valley <sup>1</sup>	\$150-167	\$165	\$155-170	\$155-165
South Valley <sup>2</sup>	\$163-173	\$158-170	\$165-184	\$158-175
Chino Valley	\$146-153	\$145-148	—	—

<sup>1</sup> North Valley is Escalon, Modesto and Turlock areas.

<sup>2</sup> South Valley is Tulare, Visalia and Hanford areas.

For current pricing information and reports on the FOB market, you may subscribe to the California Alfalfa Hay Weekly Summary by calling (509) 765-3611. Weekly reports are available on the Internet at:

<http://www.ams.usda.gov/marketnews.htm>



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The California Department of Food and Agriculture, Dairy Marketing Branch publishes the California Dairy Review monthly. To subscribe, call (916) 654-1456. Please direct any comments or suggestions for future newsletters to Karen Dapper at (916) 654-1456 or send an e-mail to [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)

## Department Calls Public Hearings on Transportation Allowances

Notice is hereby given that the California Department of Food and Agriculture (Department) has called two public hearings to consider amendments to the milk movement incentives as provided in the Pooling Plan for Market Milk (Pooling Plan) and the Stabilization and Marketing Plans for Market Milk for the Northern California and Southern California Marketing Areas (Stabilization Plans). The hearings will be held on June 28, 2001, in Ontario, California at the Airport Marriot Hotel, 2200 East Holt Boulevard, and on July 2, 2001, in the Department's Auditorium at 1220 N Street in Sacramento. Both hearings will begin at 8:30 a.m.

On January 4, 2001, the Department received a petition submitted by the Imperial County Agricultural Commissioner's Office (hereafter "Commissioner") requesting a hearing to amend the Pooling Plan. A copy of this petition can be obtained by contacting the Dairy Marketing Branch at (916) 654-1456 or by accessing the Department's web site at [www.cdfa.ca.gov/dairy](http://www.cdfa.ca.gov/dairy) (look for petitions received under "what's new"). While the Commissioner's petition did not propose amendments to the Stabilization Plans, the Department is opening all relevant Sections of the Stabilization Plans that provide incentives to move milk to processing plants that produce higher-valued milk and dairy products.

The hearings will consider the Commissioner's proposal to provide for transportation allowances to haul milk from Imperial County into the Southern California receiving area and to add San Diego County to the Southern California receiving area.

In addition, the hearings will consider other changes to the Pooling Plan and Stabilization Plans including provisions for transportation allowances, transportation credits, the milk movement requirements, Regional Quota Adjusters (RQAs), and the Class 1 price differential between the Southern and Northern California Marketing areas. The hearings will also consider the factual basis, evidence, and the legal authority upon which


to make any and/or all of the proposed amendments to the Plans.

There will be one Departmental hearing exhibits folder for both hearings. The exhibits for these hearings will be available for public inspection at the Sacramento office of the Dairy Marketing Branch by June 21, 2001.

At the hearings, the Department will receive testimony and evidence, both oral and documentary. Interested parties who wish to introduce testimony and/or exhibits should provide the Hearing Officer at the hearings with six (6) copies of such documents for the official record. Also, it would be helpful if additional copies are made available for use by hearing participants.

Copies of the transcripts of testimony taken at the hearings will not be available for distribution through the Department, but are available for inspection at the Dairy Marketing Branch. If interested parties wish to purchase copies, arrangements may be made with the reporting service at the hearings.

To assist interested persons in preparing for these hearings, a public workshop will be held in Sacramento on June 13, 2001. The workshop will be held in Room 102 in the Department's headquarters at 1220 N Street, Sacramento and will begin at 9:30 a.m. At this workshop, interested persons can review and discuss all proposals submitted with Department staff and other interested parties. The Department will supply background information and analyses of alternative proposals. Discussion during the workshop will not be part of the official hearing record. If any interested party has questions regarding the call of these hearings or needs assistance in developing language for a proposal, please contact Eric Erba or Tom Gossard at (916) 654-1456.

All interested persons are invited to attend and participate in both the public workshop and the hearings. Interested parties are encouraged to present any data or information that is relevant to the consideration of the issues raised in the call of these hearings. 

## **Court Decision Rendered on Shamrock Foods Appeal**

On May 4, 2001, the California Department of Food and Agriculture received the California Court of Appeals decision on the State of California v. Shamrock Foods Company (an Arizona milk processor) appeals case.

Shamrock Foods had appealed the California Superior Court of San Diego County decision which ruled in favor of the State of California, affirming that Shamrock Foods sold milk in California that did not meet compositional and labeling standards set by the Food and Agricultural Code and made false statements about their milk. The court decision ordered Shamrock Foods to pay \$696,000 in civil penalties and enjoined them from selling milk in California that did not meet Code standards. Shamrock Foods appealed this decision, and the Court of Appeals ruled in Shamrock's favor. However, the State of California petitioned for a review of the decision and the Supreme Court upheld the original trial court decision, while remanding some aspects of the case back to the Appellate Court.

The Court of Appeals considered other issues Shamrock raised in the appeal, but again, affirmed the judgement of the trial court in favor of the State of California. ☀

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## **Alfalfa Hay Market Near the Record High's of 1997**

*By Seth Hoyt, California Agricultural Statistics Service*

There are many dynamics causing the bullish alfalfa hay market in the West. In addition to smaller hay supplies and continued growth in the California and Idaho dairy industries, power and water shortages have made the supply outlook even tighter for 2001. Some hay growers, mainly in Idaho and Washington have sold 2001 irrigation water to power companies at prices that were reportedly hard to refuse. Many alfalfa hay growers in the Klamath Basin will not have irrigation water for this season due to dry conditions in that area. Growers in the central valley of California will receive approximately 40-50 percent of their normal water allotment from the CVP, which could mean less hay production, particularly in the second half of the season.

Consequently, alfalfa hay prices are at the highest level since 1997 with instances of record high prices. For example, in the central valley of California in May, alfalfa hay testing 58 TDN traded from \$160.00-\$166.00 per ton, fob, according to USDA Market News. Early sales of first cutting, Supreme quality alfalfa in Idaho brought \$130.00-\$135.00 per ton, around \$30.00-\$38.00 per ton higher than the first sales in 2000. In California, the price spread between high test, milk cow quality alfalfa, and dry cow hay is widening as the best demand is for high quality hay.

Historically, strong alfalfa hay prices usually lead to more acres planted and a softer market the following year. Because hay is one the few profitable commodity markets in California, where many field crop markets are depressed, one would think that acreage and production would be up in 2002. We will see if this historical trend continues in an era where dynamics and variables are increasing and production forecasting is becoming more of a challenge. ☀

**DECISION** - from Page 1

**March 30 Hearing** - After giving careful consideration to the evidence and testimony entered into the hearing record, the Department did not make any amendments to the current Pooling Plan for Market Milk regarding organic milk. The Department's determination is based partly upon the following factors:

- ◆ The petitioner failed to satisfactorily demonstrate that the Food and Agricultural Code provides authority for processors of a particular type of milk or milk product to be granted special status or treatment in the Pooling Plan.
- ◆ Only organic processors would benefit directly from the proposal. Whether the benefits were passed on in some part to organic producers, or to consumers, would be entirely at the discretion of the processors receiving the benefit.
- ◆ The proposal made by the petitioners would significantly reduce the obligation of organic processors to the pool.

The Department would not make such a change effective without first issuing the proposed change to a referendum vote of market milk producers. Given testimony presented at the hearing, the proposed change would be defeated overwhelmingly by producers in a statewide referendum.

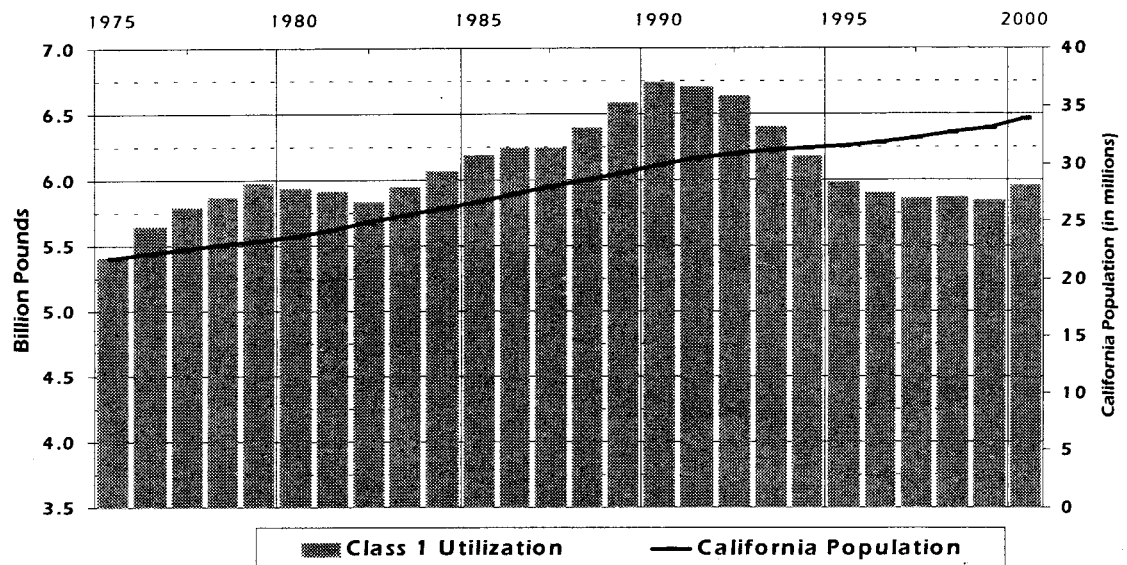
Copies of the Department's Statements of Determinations for both hearings may be obtained by contacting the Dairy Marketing Branch or by accessing the Department's web site at [www.cdfa.ca.gov/dairy](http://www.cdfa.ca.gov/dairy).

Should you have any questions regarding these determinations, please contact Eric Erba or Tom Gossard at the Dairy Marketing Branch regarding the dry whey hearing, and Bob Horton or John Lee at (916) 654-0795 regarding the hearing on organic milk. ☀

### Class 1 Milk Utilization California, Annual Totals, 1975-2000

This graph shows the Class 1 utilization from 1975 to 2000. The absolute level of California fluid milk utilization has decreased 12.5% from the peak in 1990 of 6.74 billion pounds.

The graph also depicts California's population growth during this time period. The graph indicates that Class 1 milk utilization has not followed the population growth trend.

**Producer News . . .**

*The following are tidbits of information from producers around the state:*

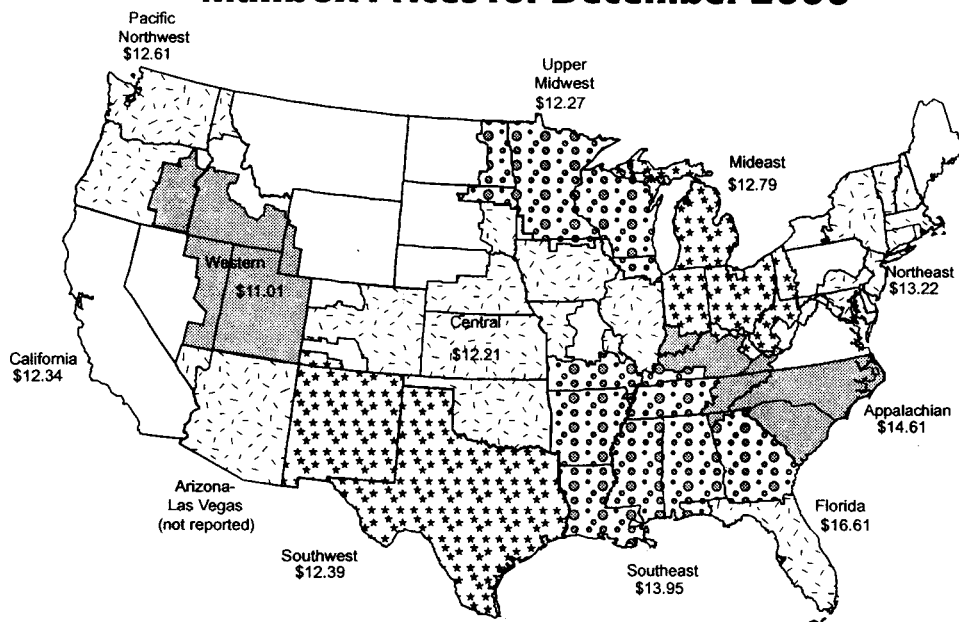
- ◆ Costs for replacement animals are high and still climbing.
- ◆ Many producers are already contracting for rolled corn for next year.
- ◆ Producers are finding hay prices above last year levels and carryover of last year hay is rare.

Dairy producers are encouraged to send the Department information appropriate to this section that they would like to share with other producers via this newsletter by contacting Karen Dapper by phone at (916) 654-1456 or by fax at (916) 654-0867. ☀

# Hundredweight Pool Prices

Month	Quota	Overbase
January '00	\$11.75	\$10.05
February	\$11.65	\$ 9.95
March	\$11.73	\$10.03
April	\$12.06	\$10.36
May	\$12.24	\$10.54
June	\$12.78	\$11.08
July	\$13.00	\$11.30
August	\$13.02	\$11.32
September	\$13.31	\$11.61
October	\$12.29	\$10.59
November	\$12.69	\$10.99
December	\$12.98	\$11.28
January '01	\$12.73	\$11.03
February	\$13.04	\$11.34
March	\$13.88	\$12.18
April	\$14.65	\$12.95

## Mailbox Prices for December 2000



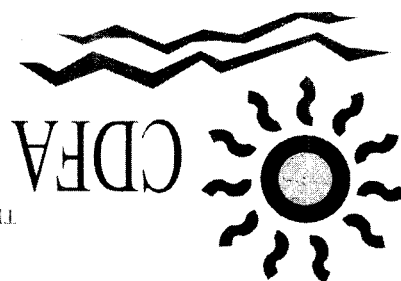
### 2000-2001 Mailbox Prices in Dollars per Hundredweight

	September	October	November	December	January	February
California <sup>1</sup>	\$12.30	\$11.47	\$12.13	\$12.34	\$12.01	\$12.23
USDA <sup>2</sup>	\$12.68	\$12.44	\$12.40	\$12.92	-----	-----

<sup>1</sup>California mailbox price calculated by CDFA.

<sup>2</sup>All federal milk market order weighted average, as calculated by USDA.

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